

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name Sandusky Comm. Fire Department Assoc.	County Sanilac
Fiscal Year End 02/28/06	Opinion Date 10/04/06	Date Audit Report Submitted to State October 18, 2006	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).


YES ☒ NO ☐

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) BRINING & NARTKER, P.C.		Telephone Number 810-648-4931	
Street Address 47 AUSTIN STREET, P.O. BOX 348		City SANDUSKY	State MI
Zip 48471			
Authorizing CPA Signature 	Printed Name JOE NARTKER	License Number 1101011752	

**SANDUSKY COMMUNITY FIRE DEPARTMENT ASSOCIATION
SANDUSKY, MICHIGAN**

**FINANCIAL REPORT
FEBRUARY 28, 2006**

**Brining & Nartker, P.C.
Certified Public Accountants**

SANDUSKY COMMUNITY FIRE DEPARTMENT ASSOCIATION

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BRINING & NARTKER, P.C.

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INDEPENDENT AUDITORS' REPORT

To the Administrative Board of the
Sandusky Community Fire Department Association

We have audited the accompanying basic financial statements of the Sandusky Community Fire Department Association, as of February 28, 2006, and for the year then ended as listed in the table of contents. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audit.

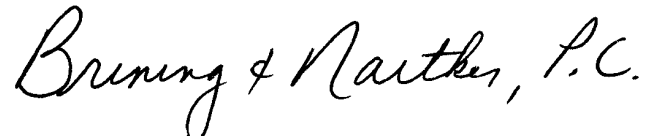
We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The Sandusky Community Fire Department Association has not presented the management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be a part of, the financial statements.

In our opinion, except for the omission of management's discussion and analysis as discussed in the previous paragraph, which results in an incomplete presentation, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Sandusky Community Fire Department Association as of February 28, 2006, and the results of its operations for the year then ended, in conformity with U.S. generally accepted accounting principles.

As described in Note 2, the Association has partially implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as of March 1, 2005.

The budgetary comparison information on page 15 is not a required part of the basic financial statements but is supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in black ink that reads "Brining & Nartker, P.C." in a cursive script.

BRINING & NARTKER, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
October 4, 2006

BASIC FINANCIAL STATEMENTS

SANDUSKY COMMUNITY FIRE DEPARTMENT ASSOCIATION
STATEMENT OF NET ASSETS
FEBRUARY 28, 2006

	<u>GOVERNMENTAL ACTIVITIES</u>
ASSETS	
Current Assets:	
Cash and cash equivalents	\$ 71,727
Investments	100,000
Receivable - fire runs (net of allowance of \$46,750)	21,500
Prepaid expense	1,377
Accrued interest receivable	1,474
Restricted cash	105,190
Total Current Assets	<u>301,268</u>
Noncurrent assets:	
Capital assets (net of accumulated depreciation)	86,522
TOTAL ASSETS	<u><u>387,790</u></u>
LIABILITIES	
Current Liabilities:	
Accounts payable	2,021
Total Current Liabilities	<u>2,021</u>
Noncurrent Liabilities	-
TOTAL LIABILITIES	<u><u>2,021</u></u>
NET ASSETS	
Investment in capital fixed assets, net of related debt	86,522
Reserved	96,190
Unreserved	203,057
TOTAL NET ASSETS	<u><u>\$ 385,769</u></u>

The accompanying notes are an integral part of the financial statements.

SANDUSKY COMMUNITY FIRE DEPARTMENT ASSOCIATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED FEBRUARY 28, 2006

PROGRAM EXPENSES:

Public safety	
Salaries	\$ 25,685
Social security taxes	2,248
Operating supplies	6,510
Safety gear	4,135
Telephone	1,377
Gas and Oil	2,172
Insurance	14,251
Electrical	2,300
Heating	5,254
Rent	13,083
Sewer and water charges	1,067
Maintenance - building	5,197
Maintenance - vehicle	8,847
Education and training	1,617
Membership dues	2,195
Depreciation	40,107
Debt - interest	1,132
Professional fees	1,771
Bad debts - fire runs	34,125

TOTAL PROGRAM EXPENSES	<u>173,073</u>
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PROGRAM REVENUES:

Charges for services	48,919
Operating contributions	<u>147,257</u>

TOTAL PROGRAM REVENUES	<u>196,176</u>
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NET PROGRAM REVENUE	<u>23,103</u>
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GENERAL REVENUES:

Interest	5,991
Other	1,917
Contributions	1,000

SPECIAL ITEM:

Gain on sale of equipment	18,000
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TOTAL GENERAL REVENUES AND SPECIAL ITEM	<u>26,908</u>
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CHANGE IN NET ASSETS	<u>50,011</u>
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NET ASSETS - BEGINNING OF YEAR	335,758
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NET ASSETS - END OF YEAR	<u><u>\$ 385,769</u></u>
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The accompanying notes are an integral part of the financial statements.

**SANDUSKY COMMUNITY FIRE DEPARTMENT ASSOCIATION
GOVERNMENTAL FUND BALANCE SHEET
FEBRUARY 28, 2006**

GENERAL FUND

ASSETS

Cash and cash equivalents	\$ 80,727
Investments	100,000
Receivable - fire runs (net of allowance of \$46,750)	21,500
Prepaid expense	1,377
Accrued interest receivable	1,474
Restricted cash	96,190
TOTAL ASSETS	<u><u>\$ 301,268</u></u>

LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts payable	\$ 2,021
TOTAL LIABILITIES	<u>2,021</u>

FUND BALANCE

Reserved	96,190
Unreserved	203,057
TOTAL FUND BALANCE	<u>299,247</u>
TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ 301,268</u></u>

The accompanying notes are an integral part of the financial statements.

**SANDUSKY COMMUNITY FIRE DEPARTMENT ASSOCIATION
RECONCILIATION OF THE BALANCE SHEET FUND BALANCE TO
THE STATEMENT OF NET ASSETS
FOR THE YEAR ENDED FEBRUARY 28, 2006**

Total governmental fund balance	\$ 299,247
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Amounts reported for governmental activities in the statement
of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	86,522
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Net assets of governmental activities	<u>\$ 385,769</u>
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**SANDUSKY COMMUNITY FIRE DEPARTMENT ASSOCIATION
GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
FOR THE YEAR ENDED FEBRUARY 28, 2006**

	<u>GENERAL FUND</u>
REVENUES:	
Contribution from City of Sandusky	\$ 72,133
Contribution from Watertown Township	41,109
Contribution from Custer Township	20,779
Contribution from Elmer Township	13,236
Fire Runs	48,919
Interest	5,991
Donations	1,000
Miscellaneous	1,917
 TOTAL REVENUES	 <u>205,084</u>
EXPENDITURES:	
Current:	
Public safety	131,833
Capital outlay	-
Debt service	33,304
 TOTAL EXPENDITURES	 <u>165,137</u>
 EXCESS OF REVENUES OVER EXPENDITURES	 <u>39,947</u>
OTHER FINANCING SOURCES:	
Proceeds from sale of assets	18,000
 NET CHANGE IN FUND BALANCE	 <u>57,947</u>
 FUND BALANCE - MARCH 1, 2005	 241,300
 FUND BALANCE - FEBRUARY 28, 2006	 <u>\$ 299,247</u>

The accompanying notes are an integral part of the financial statements.

**SANDUSKY COMMUNITY FIRE DEPARTMENT ASSOCIATION
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED FEBRUARY 28, 2006**

Net change in fund balance	\$ 57,947
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expenses. In the current period, these amounts are:

Depreciation	(40,107)
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Repayment of notes payable is an expenditure in governmental funds, but reduces the long-term liabilities in the statement of net assets.	32,171
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Proceeds from sale of assets is a financing source in governmental funds but gain or loss is recognized in the statement of activities based on asset cost net of depreciation.

Proceeds	(18,000)
Gain on sale of assets	18,000

Change in net assets of governmental activities	<u>\$ 50,011</u>
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**SANDUSKY COMMUNITY FIRE DEPARTMENT ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED FEBRUARY 28, 2006**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Sandusky Community Fire Department Association conform to U.S. generally accepted accounting principles (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Sandusky Community Fire Department Association.

Description of Association Operations

The Sandusky Community Fire Department Association was created on March 1, 2001, by the City of Sandusky and the Townships of Custer, Elmer and Watertown. All of the governmental entities are located in Sanilac County, Michigan. The department operates under a joint nine (9) member board consisting of two (2) representatives from each of the entities and one (1) member elected at large by the board, for the purpose of providing total fire protection to the City of Sandusky, all of Watertown Township, twenty-four (24) square miles of Custer Township, and sixteen (16) square miles of Elmer Township. The Association was established under Public Act 22, commonly known as the Fire Protection Act, which provides that adjoining cities with a population of not more than 15,000 and townships acting jointly may establish, fund, maintain and regulate a fire department for the benefit of the residents thereof.

Reporting Entity

In accordance with the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 14 as amended by GASB 39, the definition of the reporting entity is based primarily on the premise of financial accountability. The Association is a primary government and is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the primary government. A primary government may also be financially accountable for governmental organizations that are fiscally dependent on it. These types of organizations are deemed component units.

Based on these provisions, there are no organizations that are deemed to be component units of the Association.

Government-Wide and Fund Financial Statements:

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the nonfiduciary activities of the Association. For the most part, the effect of the Interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support.

(Continued)

**SANDUSKY COMMUNITY FIRE DEPARTMENT ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED FEBRUARY 28, 2006
(CONTINUED)**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-Wide and Fund Financial Statements: (Continued)

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Items not properly included among program revenues are reported instead as general revenue.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements (i.e., statement of net assets and statement of activities) are reported using the economic resource measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized when it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Cash and Cash Equivalents

For presentation on the financial statements, investments in cash management pools and investments with an original maturity of three months or less at the time they are purchased by the Association are considered to be cash equivalents.

Investments

Investments with an initial maturity of more than three months are reported as investments.

Accounting Estimates

The process of preparing financial statements in conformity with U.S. generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

(Continued)

**SANDUSKY COMMUNITY FIRE DEPARTMENT ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED FEBRUARY 28, 2006
(CONTINUED)**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

Capital outlays are recorded as expenditures of the General Fund and as assets in the government-wide financial statements. Capital assets are defined by the Association as assets with an initial individual cost of \$10,000 or more and an estimated life in excess of one year. Such assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. Depreciation is recorded on capital assets on a government-wide basis using the straight-line method using the following estimated useful lives:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Equipment	5-10 years
Fire Trucks	10 years

NOTE 2 - CHANGE IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND EQUITY

For the year ending February 28, 2006, the Association has implemented (GASB) Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments. It creates new basic financial statements which now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Also the statement requires a management's discussion and analysis letter to offer readers a narrative of the financial statements. Management has elected not to prepare their discussion and analysis information.

As a result of implementing GASB Statement No. 34, net assets were restated at March 1, 2005 as follows:

Net assets, as previously reported	\$ 241,300
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund.	126,630
Noncurrent liabilities, including notes payable, are not due and payable in the current period and, therefore, are not reported in the fund.	(32,172)
Net assets, as restated	<u><u>\$ 335,758</u></u>

**SANDUSKY COMMUNITY FIRE DEPARTMENT ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED FEBRUARY 28, 2006
(CONTINUED)**

NOTE 3 – BUDGET INFORMATION

Public Act 621 of 1978, Section 18(1), as amended, provides that a local governmental unit shall not incur expenditures in excess of the amount appropriated. Sandusky Community Fire Department Association's actual expenditures and budgeted expenditures for the funds budgeted have been shown on an activity basis. The approved budget of Sandusky Community Fire Department Association was adopted at the activity level. The budget is prepared on the modified accrual basis of accounting, which is the same basis as the financial statements.

For the year ending February 28, 2006, total actual expenditures exceeded budgeted amounts as follows:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Total Expenditures	<u>\$ 147,257</u>	<u>\$ 165,137</u>	<u>\$ 17,880</u>

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

NOTE 4 – FIRE PROTECTION AGREEMENT

Effective March 1, 2001, the City of Sandusky and the Townships of Custer, Elmer and Watertown, entered into an agreement to create the Sandusky Community Fire Department Association for the purpose of providing fire protection services. The Fire Department operates under a nine (9) member board composed of City and Township representative who have the power to purchase, maintain and operate the department as they see necessary. Under the agreement, each municipality shall pay its proportional share of the operating expenses, a retainer, and a sinking fund contribution according to a formula agreed upon by the Board.

NOTE 5 – DEPOSITS AND INVESTMENTS

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase, obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Association has designated one bank for the deposit of its funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investments as listed above. The Association's deposits and investment policies are in accordance with statutory authority.

(Continued)

**SANDUSKY COMMUNITY FIRE DEPARTMENT ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED FEBRUARY 28, 2006
(CONTINUED)**

NOTE 5 – DEPOSITS AND INVESTMENTS (Continued)

The Association's cash and investments are subject to custodial credit risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Association's deposits may not be returned to it. The Association does not have a deposit policy for custodial credit risk. At year end, the Association had \$276,717 of bank deposits (certificates of deposit, checking and savings accounts) that were uninsured and uncollateralized. The Association believes that due to the dollar amounts of cash deposits and limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Association evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

NOTE 6 – RECEIVABLES – FIRE RUNS

Receivables, as of year end, consist of unpaid fire runs incurred by property owners during the past two years in the amount of \$68,250. An allowance equal to 100% of the accounts over one year and 50% of the current year's runs has been established. Renewed collection efforts are being proposed.

NOTE 7 - CAPITAL ASSETS

Capital assets activity for the current year was as follows:

	Balance March 1, 2005	Increases	Decreases	Balance February 28, 2006
Capital Assets Being Depreciated				
Fire vehicles	\$ 644,277	\$ -	\$ 68,709	\$ 575,568
Less Accumulated Depreciation for				
Fire vehicles	517,648	40,107	68,709	489,046
Governmental Activity Net				
Capital Assets Being				
Depreciated	<u>\$ 126,629</u>	<u>\$ 40,107</u>	<u>\$ None</u>	<u>\$ 86,522</u>

Depreciation expense, in the amount of \$40,107, was charged to the public safety function of the Department.

**SANDUSKY COMMUNITY FIRE DEPARTMENT ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED FEBRUARY 28, 2006
(CONTINUED)**

NOTE 8 – RESTRICTED CASH

Sinking Fund

The original capital contributions received in cash by the Association from the constituent units and interest earned on these contributions was restricted for the purchase of vehicles and fire fighting equipment and apparatus. The constituent units also make annual contributions to the sinking fund based upon budgeted amounts. Details of the changes in restricted assets for the year ended February 28, 2006 are as follows:

Balance at March 1, 2005		\$ 84,182
Additions:		
Contributions from constituent units	\$ 20,000	
Interest income	<u>1,008</u>	
		21,008
Balance at February 28, 2006		<u><u>\$ 105,190</u></u>
Restricted assets and fund balance consisted of the following as of February 28, 2006		
Sinking Fund Balance		<u><u>\$ 105,190</u></u>

NOTE 9 – LONG-TERM DEBT

Changes in long-term debt for the year ended February 28, 2006 were as follows:

	<u>BALANCE MARCH 1, 2005</u>	<u>ADDITIONS</u>	<u>PAYMENTS</u>	<u>BALANCE FEBRUARY 28, 2006</u>
Notes payable:				
Bank One - 1998 Pumper	\$ 32,172	\$ -	\$ 32,172	\$ NONE
Totals	<u><u>\$ 32,172</u></u>	<u><u>\$ NONE</u></u>	<u><u>\$ 32,172</u></u>	<u><u>\$ NONE</u></u>

**SANDUSKY COMMUNITY FIRE DEPARTMENT ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED FEBRUARY 28, 2006
(CONTINUED)**

NOTE 10 – LEASE AGREEMENT

Sandusky Community Fire Department Association leases the fire hall and adjacent parking lot for use in the on-going operation of the Association. The lease is classified as an operating lease. Terms of the lease agreements are as follows:

<u>Lease</u>	<u>Date of Original Lease</u>	<u>Initial Non-Cancelable Operating Lease Commitment</u>	<u>Balance at 2/28/06 Non-Cancelable Operating Lease Commitment</u>
Fire Hall & Adjacent Parking Lot	March 1, 2005	\$ 69,140	\$ 51,312

The following is a schedule by years of future minimum rental payments required under operating leases that have initial or remaining non-cancelable lease terms in excess of one year as of February 28, 2006.

<u>Year Ending</u>	<u>Amount</u>
February 28, 2007	\$ 12,828
February 28, 2008	12,828
February 28, 2009	12,828
February 28, 2010	12,828
Total Scheduled Maturities	<u>\$ 51,312</u>

NOTE 11 – RELATED PARTY TRANSACTIONS

The Association rents the fire hall and adjacent parking lot on a yearly basis from the City of Sandusky. The City of Sandusky is a member of the Association.

**SANDUSKY COMMUNITY FIRE DEPARTMENT ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED FEBRUARY 28, 2006
(CONTINUED)**

NOTE 12 - RISK MANAGEMENT

The Sandusky Community Fire Department Association is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Association, together with other municipalities, is a member of the Michigan Municipal Risk Management Authority (MMRMA). A public entity risk pool currently operating as a common risk management and insurance program which charges an annual premium to its members for insurance coverage. The pool is self-sustaining through member premiums and provides reinsurance through commercial companies for claims. The MMRMA provides general liability, property, crime and fleet coverage to the Association.

The Association does not provide employee health or life insurance coverage. The Association does provide workers compensation insurance coverage. Workers compensation and employers liability insurance policy is through Accident Fund Company.

NOTE 13 – SUBSEQUENT EVENTS

In April 2006, the Association entered into a lease/purchase agreement for a 2006 Tanker at a cost of \$373,000. The Association used its \$100,000 certificate of deposit as down payment. \$270,354 was financed with Chase Equipment Leasing, Inc. at a rate of 4.49%. The payment schedule requires annual payments of \$34,150 for 10 years.

SUPPLEMENTAL INFORMATION

**SANDUSKY COMMUNITY FIRE DEPARTMENT ASSOCIATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED FEBRUARY 28, 2006**

	<u>ORIGINAL BUDGET</u>	<u>AMENDED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
REVENUES:				
Contribution from City of Sandusky	\$ 72,133	\$ 72,133	\$ 72,133	\$ -
Contribution from Watertown Twp.	41,109	41,109	41,109	-
Contribution from Custer Twp.	20,779	20,779	20,779	-
Contribution from Elmer Twp.	13,236	13,236	13,236	-
Fire Runs	-	-	48,919	48,919
Interest	-	-	5,991	5,991
Donations	-	-	1,000	1,000
Miscellaneous	-	-	1,917	1,917
TOTAL REVENUES	<u>147,257</u>	<u>147,257</u>	<u>205,084</u>	<u>57,827</u>
EXPENDITURES:				
Salaries	25,100	25,800	25,685	115
Social security taxes	2,000	2,200	2,248	(48)
workers' compensation	1,600	-	-	-
Operating supplies	3,500	4,500	6,510	(2,010)
Safety gear	4,000	4,000	4,134	(134)
Telephone	1,000	1,400	1,377	23
Gas and oil	1,400	2,200	2,172	28
Insurance	11,841	9,841	14,251	(4,410)
Electrical	2,200	2,700	2,300	400
Heating	3,600	5,600	5,254	346
Rent	13,200	13,200	13,083	117
Sewer and water charges	1,200	1,200	1,067	133
Maintenace - building	4,000	5,000	5,197	(197)
Maintenance - vehicle	9,000	9,500	8,847	653
Education and training	3,500	2,875	1,617	1,258
Membership dues	775	-	2,195	(2,195)
Miscellaneous	1,037	1,037	-	1,037
Capital outlay - equipment	23,500	21,100	-	21,100
Debt - principal	32,172	32,172	32,172	-
Debt - interest	1,132	1,132	1,132	-
Professional fees	1,500	1,800	1,771	29
Bad debts - fire runs	-	-	34,125	(34,125)
TOTAL EXPENDITURES	<u>147,257</u>	<u>147,257</u>	<u>165,137</u>	<u>(17,880)</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>None</u>	<u>None</u>	<u>39,947</u>	<u>39,947</u>
OTHER FINANCING SOURCES:				
Proceeds from sale of assets	-	-	18,000	18,000
NET CHANGE IN FUND BALANCE	<u>None</u>	<u>None</u>	<u>57,947</u>	<u>57,947</u>
FUND BALANCE - MARCH 1, 2005	<u>241,300</u>	<u>241,300</u>	<u>241,300</u>	<u>-</u>
FUND BALANCE - FEBRUARY 28, 2006	<u>\$ 241,300</u>	<u>\$ 241,300</u>	<u>\$ 299,247</u>	<u>\$ 57,947</u>